

Using the sample of 80 agreements selected in Procedure 4.b. above, plus the four agreements replaced in Procedure 4.b. above, documented, in the working papers, the dates when the 84 agreements were signed and/or when the services were first rendered (whichever took place first) and the dates of posting on the Internet. Noted that twelve (14.3%) of the 84 agreements tested were posted to the Internet site, www.sbc.com, more than ten days after their effective date. These 12 instances consisted of two different agreements.

- Noted one agreement, from SBCLD to SBC Indiana, SBC Ohio and SBC Nevada for Interexchange Carrier Services, Internal, Amendment 7 (this same agreement is posted for each SBC BOC and was tested for three different Internet postings), and one agreement, from SBCLD to SBC Indiana, SBC Illinois and SBC Wisconsin for Interexchange Carrier Services, Internal, Table 4 (this same agreement is posted for each SBC BOC and was tested for three different Internet postings), were effective on July 29, 2004 and posted on August 9, 2004, or one day late. SBCLD represented that the late postings were due to the ninth and tenth calendar days after the effective date falling on a weekend.
- Noted one agreement from SBCLD to SBC Illinois, SBC Indiana, SBC Michigan, SBC Ohio, SBC Southwest and SBC Wisconsin for Local Exchange Carrier Calling Card Agreement (this same agreement is posted for each SBC BOC and was tested for six different Internet postings) was effective on January 9, 2004 and posted on January 22, 2004, or three days late. SBCLD represented that this agreement was executed outside of the established affiliate agreement approval process for SBCLD and SBCLD posted the agreement within one day of SBCLD's regulatory group becoming aware of it.

Documented, in the workpapers, the procedures that SBCLD has in place for posting these transactions on a timely basis

Noted that SBCLD posted entire affiliate agreements on the Internet site, www.sbc.com, and that all details needed to allow evaluation for compliance with the FCC's accounting rules were made available in these agreements. Noted that the Internet posting of the agreements included rates, terms, conditions, frequency, effective dates, termination dates, description of services and method of pricing. Noted that the Internet posting of affiliate agreements included sufficient detail to evaluate compliance with the FCC accounting rules.

Management represented the following known instances of late Internet postings that occurred prior to the beginning of the Engagement Period and were corrected during the Engagement Period:

- SBCLD received two tariffed services, Interexchange Carrier Pays service and Billing Name and Address service, from SWBT, Pacific Bell, Nevada Bell, and

Ameritech that were effective prior to July 10, 2001. SBCLD listed these tariffed services as affiliate transactions on the Internet site, www.sbc.com, as of December 12, 2003.

- An affiliate agreement between Ameritech and the section 272 affiliate for On Line Inquiry services was effective on March 26, 2003, but was not posted on the Internet site, www.sbc.com, until November 19, 2003.
 - SBCLD's agreement, "Service Agreement for CARE Products" with Pacific Bell was effective April 12, 2001, but was not posted to the Internet site, www.sbc.com, until December 12, 2003.
 - An affiliate agreement, "Service Agreement for CARE Products" was executed between SWBT and the section 272 affiliate on May 13, 2002, but was not posted to the Internet site, www.sbc.com, until December 12, 2003.
6. Obtained the listing of all nontariffed services rendered by the SBC BOCs to SBCLD, by month, during the Audit Test Period. Determined which of these services were made available to both SBCLD and third parties.
- a. From the services not made available to third parties:
1. Determined that the following eight services were billed to SBCLD during the Audit Test Period:
- Business Joint Marketing
 - Consumer Joint Marketing
 - Global Joint Marketing
 - Industry Markets Joint Marketing
 - Joint Marketing Referral Fee
 - Joint Marketing
 - Sales Operations Joint Marketing
 - Business Communication Services (BCS) Joint Marketing

Randomly selected three individual nonconsecutive months from the Audit Test Period: August 2003, January 2004, and January 2005. Selected seven of the eight services listed above for testing. One service, BCS Joint Marketing, had no billing transactions in the months selected, therefore was not selected for testing. For each month selected, obtained the billing records for billings to SBCLD from the SBC BOCs for all states, for the eight services. Randomly selected 100 billing transactions from the above three months of billing records for all services. For each sampled transaction determined compliance with section 32.27 of the FCC's Rules by comparing unit charges to fully distributed cost (FDC) or fair market value (FMV) as appropriate.

In the 100 transactions tested, noted one difference in a transaction for Joint Marketing service for the month of January 2004 from SBC Michigan to SBCLD, SBC Michigan used an incorrect rate and underbilled SBCLD by \$21.84.

2. From the sample of 100 billing transactions selected in step 1 above, tested each billing transaction for the proper application of billing rates, including all applicable discounts, surcharges, late fees, etc. Also tested that the transaction was properly recorded as revenue by the SBC BOCs, that the billed amount was paid by SBCLD, and that the payment was recorded by the SBC BOCs.

- Inspected the accounts receivable records from the SBC BOCs and obtained copies of all relevant screens/summaries for the workpapers. Noted that the SBC BOCs received payment from SBCLD for the selected transactions through Management's Treasury Intercompany Payment (TIPs) process.
- Obtained the SBC BOCs' revenue postings for each selected transaction and compared the amounts billed by the SBC BOCs to the amounts recorded as revenue. Noted no differences.
- Obtained documentation from SBCLD supporting the recording of each selected transaction as expense by SBCLD and that the same amount was paid by SBCLD. Noted no differences.

- b. From the services made available to both SBCLD and to third parties:

1. Determined that the following nine services were those with the highest billing volume in dollars over the Audit Test Period billed to SBCLD by the SBC BOCs:

- Business Customer Care
- Consumer Customer Care
- Fraud
- Global Customer Care
- Joint Customer Care
- Real Estate
- Regulatory Support
- Tariff Telecommunications
- Temporary Projects

In addition, randomly selected one service, Industry Markets Customer Care, from the remaining billed services, for a total of ten services. From the

three randomly selected months identified in step a.1. above, obtained the billing records for the ten services selected in step b.1. above. For each month selected, obtained the billing records for billings to SBCLD from the SBC BOCS for all states, for the ten services. Randomly selected 100 billing transactions from the above three months of billing records for nine services. The tenth service randomly selected above, Industry Markets Customer Care, had no billings during the three months selected for testing. For each sampled transaction determined compliance with section 32.27 of the Commission's Rules by comparing unit charges to FDC or FMV, prevailing price or tariff, as appropriate. Noted that 12 of the 100 transactions tested included billing errors that resulted in overbillings by the SBC BOCs to SBCLD. Also noted that these overbillings were identified by the SBC BOCs and corrected in the month following the original error.

For one transaction of the 100 transactions tested, Tariff Telecommunications (billing for employee concessions) from SBC Illinois to SBCLD in January 2004, noted that incorrect tariff rate was used resulting in an underbilling to SBCLD of \$46.00.

2. From the sample of 100 billing transactions selected in step b.1. above, tested each billing transaction for the proper application of billing rates, including all applicable discounts, surcharges, late fees, etc. Also tested that the transaction was properly recorded as revenue by the SBC BOCs, that the billed amount was paid by SBCLD, and that the payment was recorded by the SBC BOCs.
 - Inspected the accounts receivable records from the SBC BOCs and obtained copies of all relevant screens/summaries for the workpapers. Noted that the SBC BOCs received payment from SBCLD for the selected transactions through the TIPs process.
 - Obtained the SBC BOCs' revenue postings for each selected transaction and compared the amounts billed by the SBC BOCs to the amounts recorded as revenue. Noted no differences.
 - Obtained documentation from SBCLD supporting the recording of each selected transaction as expense by SBCLD and that the same amount was paid by SBCLD. Noted no differences.
7. Using the listing obtained in Procedure 6 of services rendered by month by SBC BOCs to SBCLD during the Audit Test Period reviewed the listing for services rendered that included OI&M functions:
 - a. Compared the listing of services to the definition of OI&M obtained in Objective I, Procedure 3a above and determined that one service, Single Point of

Contact for National Account Customers/Major Account Customers Support, was provided by SBC Illinois, SBC SNET, SBC California, and SBC Southwest to SBCLD during the Audit Test Period. This agreement was effective on September 9, 2004 and the services were first provisioned by the SBC BOCs in November 2004. Noted that this service was made available to third parties.

- b. For the agreements noted above for OI&M services provided by the SBC BOCs to SBCLD, noted the following:
 - The agreements were effective on September 9, 2004.
 - The SBC Illinois agreement was posted to the Internet on September 14, 2004.
 - The SBC SNET agreement was posted to the Internet on September 10, 2004.
 - The SBC California and the SBC Southwest agreements were posted to the Internet on September 13, 2004.
 - The agreements were included in Cost Allocation Manual (CAM) amendments filed on July 23, 2004. The CAM amendments were effective September 9, 2004.
8. Obtained a listing of all services rendered by month by SBCLD to each SBC BOC during the Audit Test Period. Noted that the listing obtained included services rendered by SBCLD to other affiliates as well as the SBC BOCs.
 - a. Randomly selected three individual nonconsecutive months during the Audit Test Period: December 2003, June 2004 and January 2005. For each month selected, obtained the billing records for all services that were billed from SBCLD to all affiliates including the SBC BOCs. Using the list of services rendered by month by SBCLD to all other SBC affiliates, determined that three services made up 80% of total billing dollars. These services were Switched Toll Free (STFS), Dedicated Toll Free (DTFS), and Switched Outbound Voice (LDTN). From the three months of billing records, randomly selected 50 bills from SBCLD to the SBC BOCs; if the bill selected was to an affiliate rather than to one of the SBC BOCs, continued replacement sampling until 50 bills to the SBC BOCs were randomly selected. Reviewed the sample to ensure that all SBC BOCs and all states were represented; and performed replacement sampling until that criterion was met. From the 50 bills to be tested, selected two billing transactions with different rates for a total of 100 billing transactions selected for testing. Noted that the following four services were represented in the sample: STFS, DTFS, LDTN and private line. Obtained approval of sample from the Joint Federal/State Oversight Team.

For each transaction selected, determined whether the amounts recorded for the purchase of the services in the books of the SBC BOC were in compliance with section 32.27 of the Commission's Rules by comparing unit charges to FDC, FMV or

prevailing market price (PMP), as appropriate. "Chain"⁹ transactions were not apparent in the pricing documentation provided by SBCLD. Management represented that all services/assets provided by SBCLD to the SBC BOCs are priced in accordance with the FCC's affiliate transactions rules. As such, SBCLD prices at the lower of FDC or FMV except when prevailing price is used. To the extent that SBCLD's calculation of FDC includes costs incurred by SBCLD for services/assets provided by other affiliates, those costs are based on the actual price paid by SBCLD for such services/assets. The prices paid by SBCLD for services/assets provided by other affiliates are not artificially inflated and generally reflect (1) the prevailing price/tariff rate charged by such affiliate, or (2) the affiliate's FDC of providing the service.

Noted the following differences in three of the 100 transactions tested between the amounts billed to the SBC BOC and the FDC, FMV or PMP:

	Billing Account Number (BAN)	Bill Date	Service	Inter- or Intra-state	Rate Per Bill	Lower of FMV/ FDC Rate per Table	Rate Difference	Total Transaction Difference
1	800978347	Dec. 3, 2003	STFS	Interstate	\$0.0280	\$0.0250	\$ 0.003	\$0.05
2	807355100	Dec. 4, 2003	STFS	Interstate	\$0.0280	\$0.0250	\$ 0.003	\$0.01
3	824144305	Jan. 22, 2005	STFS	Intrastate	\$0.0300	\$0.0250	\$ 0.005	\$0.01

- b. For the sample of 100 billing transactions selected in step a, tested that each transaction was properly recorded by SBCLD, and that the billed amount was paid by the SBC BOCs by inspecting the accounts receivable documents from SBCLD. Also obtained copies of all relevant documents and records for the workpapers. Noted that for one BAN that included five tested transactions, SBCLD recorded a total of \$0.19 less than the amount billed. Noted that for one BAN that included seven tested transactions, the SBC BOC paid a total of \$8.67 less than the amount billed by SBCLD.

In addition to the testing performed for this procedure, Management represented that during the Engagement Period, there was a billing error for the InterLATA private line service for the SBC BOCs' OCS network service that SBCLD provided to the

⁹ "Chain" transactions could occur when a section 272 affiliate provides an asset or service to the SBC BOCs that was originally obtained from another nonregulated affiliate, including if the section 272 affiliate obtained a product or service that was used to create the asset or service being provided to the SBC BOCs. In such chain transactions, the section 272 affiliate must charge the lower of FDC or FMV of the original nonregulated affiliate unless there is a prevailing market price. The costs recorded by the SBC BOC must reflect the actual costs the originating affiliate incurred in creating the asset or providing the service unless the originating affiliate had established a prevailing market price.

SBC BOCs under SBCLD's interLATA OCS agreement with the SBC BOCs. SBCLD updates the rates for this service annually. During the 2005 rate update process, SBCLD noted that the private line rate was incorrect for October 2004 through September 2005. Approximately 22,000 circuits were billed incorrectly each month and the payphone surcharge was treated as a network charge and loaded in the network overhead rate in error, resulting in approximately \$175,000 per month that was overbilled to the SBC BOCs. In July 2005, SBCLD created a billing adjustment for actual usage from October 2004 to July 2005 with the related tax true-up made in August 2005. SBCLD represented that a final adjustment will be made in the last quarter of 2005 after the July through September actual usage is known and new rates will be updated in October 2005.

Management also represented that a similar billing error was noted for the period October 2003 through September 2004. Shortly after the preparation of the FDC study prepared by SBCLD that developed the interLATA and intraLATA rates used as the contract rate in SBCLD's agreement with the SBC BOCs, SBCLD's facilities-based provider reduced one component of the transport rate charged to SBCLD. SBCLD did not, in turn, reduce the rate charged to the SBC BOCs, resulting in a total overbilling to the SBC BOCs of \$612,000. Management represented that SBCLD has corrected the rate charged to the SBC BOCs and credited the SBC BOCs' November 2005 invoices for the total overbilled amount.

9. Obtained, as of March 31, 2005, the balance sheet of SBCLD and a detailed listing of all fixed assets added since July 10, 2003 and performed the required procedures as documented in Objective I, Procedure 6 above.
 - a. Management represented that there were no items purchased or transferred from the SBC BOCs to SBCLD during the Audit Test Period.
 - b. From the detailed listing of SBCLD fixed assets added since July 10, 2003, noted that 12 assets, with original costs totaling \$1,721,443, were purchased from affiliates that are not SBC BOCs. Obtained invoice support indicating that the 11 items were originally purchased by the affiliates from third-party vendors not a SBC BOC. For one asset, Management was unable to provide a third-party vendor invoice. Management represented that the affiliate purchased this asset from a third-party vendor and did not sell or transfer any assets to SBCLD during the Engagement Period that were originally obtained from a SBC BOC.
 - c. Since no items were purchased or transferred from the SBC BOCs to SBCLD during the Audit Test Period, this procedure was not performed.
10. SBCLD represented that no fixed assets were purchased or transferred from SBCLD to the SBC BOCs during the Audit Test Period.

11. Management represented that the SBC BOCs did not provide to SBCLD any assets and/or services priced pursuant to interconnection agreements pursuant to section 252(e) or statements of generally available terms pursuant to section 252(f) during the Engagement Period.
12. Management represented that no part of the SBC BOCs' Official Services¹⁰ network was transferred or sold to SBCLD from July 10, 2003 through the end of the Engagement Period.

¹⁰ Official Services mean those services permitted by the United States District Court for the District of Columbia in *United States v. Western Electric Co. Inc.* (See 569 F. Supp. 1057, 1098, n.179 (1983)) (defined as "communications between personnel or equipment of an Operating Company located in various areas and communications between Operating Companies and their customers"), and its progeny.

OBJECTIVE VII. Determine whether or not the BOCs have discriminated between the separate affiliate and any other entity in the provision or procurement of goods, services, facilities and information, or the establishment of standards.

1. Obtained the SBC BOCs' written procurement procedures, practices, and policies. Management represented that it is their policy to award business, without favoritism, to the supplier representing the best overall value. Business should be awarded on a competitive basis, evaluating the merits of the potential suppliers, whenever practicable. Noted that the policies include supplier diversity programs, which include Minority Business Enterprises (MBE), Women Business Enterprises (WBE), and Disabled Veteran Business Enterprises (DVBE) and include the following supplier diversity goals: 15% MBE, 5% WBE, and 1.5% DVBE.

Management has implemented a six step contracting process.

- Step one includes a needs assessment, which covers the initial identification of the client's needs, project scope and the start of the documentation process.
- Step two is the supplier search, which covers the process for identifying potential suppliers to meet the company's requirements.
- Step three involves completion of a competitive analysis, which includes the competitive quote process and a decision matrix.
- Step four is when supplier selection and contract negotiation occur. This step includes the process for evaluating supplier responses to requests for proposal, quotation and information, and conducting contract negotiations.
- Step five involves completion of the documents and procedures required for contract approval.
- Step six includes the implementation and administration of the agreement upon execution by both parties.

To locate potential suppliers, Management considers the following:

- If the requested commodity is already under contract, the search could include current suppliers.
- Review trade registers and journals, Dun and Bradstreet reports, classified Yellow Pages, MBE, WBE or DBVE resources and internal prospective supplier databases.
- A supplier financial analysis is performed to determine the financial strength of the supplier and the financial dependency of the supplier on AT&T's business.
- However, neither financial risk, nor over-dependency, is an absolute bar to a relationship with the supplier.

A competitive quote is required for all agreements except for those covered by the Award Rationale justification, Non-Disclosure Agreements or Letters of Intent and Agreements valued less than \$200,000 for the initial term of the Agreement. This competitive quote process includes sending out detailed requests for proposals (RFP). Management includes

a draft of the proposed agreement with the RFP so that suppliers will understand their obligations and terms of performance. Requests for proposals require detailed written responses by a specified deadline. Usually Management solicits bids from three to six suppliers. Suppliers are usually given four weeks to respond to the RFP. A decision matrix is developed to document the decision weighting and analysis. This matrix is a tool developed by the evaluation team and/or the internal client that lists key factors, specifications and requirements and weight of those factors that will be considered in selecting a supplier.

When researching and selecting suppliers, Management's policy is to seek out the best overall value and/or the best total cost of ownership. Best overall value policy is that agreements will be based on a fair and impartial analysis of suppliers in accordance with Management's policy not to discriminate against any business enterprise, and to consider management strength of the company, ability to control overhead costs, emphasis on providing quality materials and services, support services, technical depth and abilities and supplier diversity participation. Total cost of ownership reflects the economic impact over time of all relevant and significant costs associated with the acquisition, use, maintenance and disposal of materials and services.

2. Management represented that, during the Audit Test Period, there were three procurement awards from the SBC BOCs to SBCLD.

- a. Obtained Agreement No. 03031715, LEC Calling Card Service Agreement, effective January 9, 2004 between SBCLD and the SBC BOCs. According to procurement documentation, there were two finalists for this proposal. In addition to these responses, a third bidder also responded but was not considered a finalist because 1) its platform was not able to support third-party billing, 2) the bidder gave incomplete answers, 3) there appeared to be an overall misunderstanding of requirements, 4) the bidder would not provide operator services, and 5) card would be SBC branded product. There were two additional RFP responses, but neither bidder gave complete responses to the RFP, so neither was selected as a finalist.

Obtained a summary of the decision matrix for this RFP and noted that the other finalist had the best overall score of 205, while SBCLD's RFP was scored at 195. Inquired as to why SBCLD was chosen over the other finalist. Management represented that in January 2003, the other finalist sued SBC for breach of contract and wrongful conduct and it is Management's position generally not to voluntarily do business with suppliers that sue the Parent Company or affiliates. Noted that the RFP and the RFP evaluation process complied with Management's written procurement procedures except that the corporate position to not voluntarily do business with suppliers that sue the Parent Company or affiliates was not stated in the written procurement procedures.

- b. Obtained Agreement No. 00012603 Amendment 2, dated January 15, 2004, in which SBCLD provided internal long distance services to the SBC Midwest

BOCs (in the form of an amendment to the preexisting contract for the same services provided to SBC West and SBC Southwest). Noted that a "Best in Class" market analysis was used in lieu of a formal competitive RFP. Management represented that the "Best in Class" was used because a preexisting contract was already in place with SBCLD covering the purchase of the same services for other regions. This appears consistent with section 4.302 of Management's procurement policy that states, "Prior to initiating the competitive quote process, verify that the requested commodity is not already under contract. An existing supplier under contract may already meet the project requirement i.e., product, service, price, quality, terms."

- c. Obtained Agreement No. 00012603 Amendment 5, effective March 10, 2004, for Asynchronous Transfer Mode Transport Services to support the Customer Call Center Transformation Project. Obtained the request for proposal and the associated documents related to the procurement process for this RFP. Noted that the RFP was sent to three suppliers: SBCLD and two third-party vendors, based on an assessment of their systems. Noted that SBCLD's response included the lowest price and SBCLD scored highest of the three suppliers in the RFP's decision matrix evaluation. Noted that the RFP and the RFP evaluation process complied with the written procurement procedures.
3. Obtained a list of all goods, services, facilities, and customer network services information, excluding CPNI as defined in Section 222(f)(1) of the Act and exchange access services and facilities inspected in Objective IX, made available to SBCLD by the SBC BOCs. Management has represented that the media used to inform unaffiliated entities of these services is the Internet sites, <http://www.sbc.com> or <https://www.sbcprimeaccess.com> (Prime Access website), which contains a listing of services provided under tariff, contracts and affiliate agreements. Obtained a list of 276 agreements, including tariffs, under which all goods, services, facilities and customer network services information were provided to SBCLD during the Engagement Period. For a random sample of 85 agreements from this list, inspected the Internet sites, <http://www.sbc.com> or the Prime Access website, to determine if the agreements were included on the Internet sites. Noted that 27 of the 85 agreements were no longer on the Internet site as they had been expired for more than one year. Selected replacements for these 27 expired agreements and noted that these 27 replacements along with 58 of the original 85 agreements tested were located on the Internet sites at <http://www.sbc.com> or <https://www.sbcprimeaccess.com>.
4. Obtained a list of goods (including software), services, facilities and customer network propriety
 - a. Randomly selected three months from the Audit Test period: October 2003, July 2004, and March 2005. For each of the three months selected, obtained a listing of all goods (including software), services, facilities, and customer network proprietary information (excluding CPNI) that were purchased during the Audit

Test Period from the SBC BOCs by both an unaffiliated entity and SBCLD in any state. This list excluded exchange access services, local exchange services, and interLATA services as these services are tested in other procedures. The listing obtained included eight services: Account Management, Billing Name and Address (BNA), Data Gathering, PIC Changes, Billing and Collections (B&C), PIC Verification, Switch Verification, and On-Line Inquiry. Selected all eight goods/services billed to unaffiliated third parties for testing. For each service noted above, Management represented that the SBC BOCs used the same billing systems for services provided to both SBCLD and to unaffiliated carriers.

1. Management represented that each SBC BOC uses the same billing systems and rate tables for all entities, both section 272 affiliates and nonaffiliates. Therefore, there are no specific SBC BOC procedures for ensuring that the applicable tariff or agreement rate is billed to both the section 272 affiliate and nonaffiliates (e.g., the same rate table is used for all carriers). For each service selected, obtained the billing system rate tables. For each rate table, randomly selected one rate per service and compared the rates with the current tariff agreements posted at <http://www.sbc.com/gen/public-affairs>. No differences were noted.

Inquired and noted the following about the SBC BOCs' procedures for updating the rate tables for the Audit Test Period.

- Billing & Collections – The B&C billing tables are updated whenever a new carrier is established or when a rate change occurs. Notification of table updates flows from Industry Markets Product and Account Management to the B&C operations group in Milwaukee, Wisconsin. There is a generic, 13-state B&C contract that has a generic pricing exhibit. Rate elements for the items listed in the generic pricing exhibit exist and are associated with each new B&C customer. Any exceptions to the generic price schedule are communicated from the B&C Contract Manager to the operations group in Milwaukee via e-mail. SBC West and SBC Southwest B&C rate tables are maintained in the Ancillary Services Billing System (ASBS); and in the Local Exchange Carrier Services Billing System (LSB) system for SBC Midwest.
- Interexchange Carrier (IXC) Subscription Services – IXC Services refers collectively to subscription services such as:
 - PIC Change Fees (IXC Pays)
 - Account Maintenance
 - BNA
 - Data Gathering
 - Switch Verification
 - Database reports (Snapshots)

- OLI (On-Line Inquiry) – SBC Midwest only

In SBC Southwest, the Information Exchange and Subscription (INEXS) CARE system contains the InstaRate tables (for Business office events) and Miscellaneous Rating (IXC generated events) tables for the actual charges billed for PIC changes. These tables are updated via use of the existing Rapid Deployment Process. Industry Markets Product Management would generate a rate change request form. The form would be forwarded to the Rapid Deployment Group and Reference Tables Group where the actual rates would be changed.

In SBC Southwest, several CARE products (BNA, Data Gathering and Account Maintenance) are billed via ASBS. Rates for these products are contained on a Subscription Services Rate table maintained by IT Project Management. Notification of table updates flows from Industry Markets Product Management to IT Project Management via e-mail. PIC Change – IXC Pays rates are taken from the Customer Record Information System (CRIS) billing table based on the rates applied to the end-user paid PIC charges. CRIS controls the rating tables in SBC Southwest for PIC Change Charges. Only the Reference Tables group and the Rapid Deployment team have update authority to the rating table. PIC Changes are tariffed and change infrequently.

In SBC West, the Customer Enhanced System for Access Requests/Easy Access Request System (CESAR/EARS) has hard-coded logic to create billing records for all CARE products and PIC Disputes that applies to all carriers without distinction between SBCLD and other carriers. The Carrier Access Billing System (CABS) bills the dollar amounts forwarded to them from CESAR/EARS. Changes to the rates contained in the CESAR/EARS programs would be made only upon receiving updated tariff pages from the Subscription Product Manager. This information would be sent to the CESAR/EARS Business Manager for review and acceptance. The Business Manager would then create a change request document and send it to the CESAR/EARS change control board. The change request would be scheduled for implementation and posted in the application team work management schedule. Documentation of the requested change would be created and filed in the change management system. All established and documented software configuration express processes are followed to ensure accurate and timely changes to the code are made and tested.

In SBC Midwest, the CARE and PIC products billing tables in the LSB system are updated whenever a new carrier is established or

when a rate change occurs. Notification of table updates flows from Industry Markets Product and Account Management to the Billing and Collections operations group in Milwaukee, Wisconsin. There are generic, 13-state CARE product agreements that have common prices documented within each contract/agreement. Rate elements for the items listed in the agreements exist and are associated with each new carrier customer. Any exceptions to the generic price schedule are communicated from the Industry Markets Product Manager, to the operations group in Milwaukee, Wisconsin, via e-mail.

2. For each billing system identified above that is used to bill section 272 affiliates, noted the following practices and processes the SBC BOCs have in place to ensure the billing system bills the section 272 affiliate and nonaffiliates at the same rates and under the same terms and conditions:

- Billing & Collections - SBCLD is billed generic rates, as is any other carrier, with the exception of any amendments that have been made to the contract to cover services not offered under the generic B&C contract. Those amendments are all filed on the Internet site, www.sbc.com, for any carrier to review. Any services provided to SBCLD are available to any other carrier at the same terms, rates and conditions. The B&C operations group in Milwaukee, Wisconsin, controls any rate table entries. The IT subject matter expert who supports the rate tables has access, as does the B&C Product Manager who is responsible for developing policies regarding rating and billing. The B&C operations group also reviews billing data for accuracy. B&C billed amounts are included in their review of purchased accounts receivable (PARS) payments. Any changes to the billed amounts are authorized on a Miscellaneous Charge Form that is submitted by either Product or Account Management.
- IXC Subscription Services - As noted in step 1. above, SBC Southwest utilizes only one common set of rating tables. In SBC West, CESAR/EARS does not distinguish between SBCLD and any other carrier when creating billing records. The event itself drives the record, not the carrier associated to the event. In SBC Midwest, all IXCs are billed the same rates, with the exception of any amendments that have been made to the contracts/agreements. The CARE agreements between all the SBC BOCs and SBCLD can be viewed on the Internet site, www.sbc.com, under the "Affiliate Agreements" section.

Noted the following SBC BOCs' internal controls and procedures. These controls and procedures were designed to ensure proper and accurate billing for all carriers regardless of affiliation to the SBC BOCs. The

description of internal controls contains a summary of controls in place for overseeing the system, e.g., who has access to the systems to examine bills for accuracy, who authorizes changes if there is an error, and who has control and access over changing the rate tables (or the equivalent mechanized/system controls).

- Billing & Collections - The B&C operations group in Milwaukee, Wisconsin, control any rate table entries. The IT subject matter expert who supports the rate tables has access, as does the B&C Product Manager who is responsible for developing policies regarding rating and billing. The B&C operations group also reviews billing data for accuracy. B&C billed amounts are included in their review of purchased accounts receivable payments. Any changes to the billed amounts are authorized on a Miscellaneous Charge Form that is submitted by either Product or Account Management.
- IXC Subscription Services - The IT Project Management team in Dallas, Texas, controls the BNA, Data Gathering and Account Maintenance rate tables. Changes to the billed amounts are authorized by the Subscription Product Manager and conveyed to the IT Project Management team via e-mail. The IT Project Management team ensures billing accuracy by manually reviewing a sample of carrier bills.
- CESAR/EARS development team controls the hard-coded logic in SBC West. Changes to the Account Maintenance rates contained in the CABS billing programs would be made only upon receiving updated contract pages from the Subscription Product Manager. This information would be sent to the CESAR/EARS business manager for review and acceptance. The business manager would then create a change request document and send it to the CESAR/EARS change control board. An analyst would be assigned to create the required documents necessary to effect a change in the CABS billing group. CESAR/EARS would work with the CABS project manager to identify all required changes in the CABS tables. The actual changes to the CABS programs would be made by the CABS development team. CABS would provide test cases to ensure all changes are made accurately. The CESAR/EARS analyst ensures all billing changes have been performed correctly by manually reviewing a random sample of actual carrier bills.

The following outline summarizes the billing systems used, what services are billed under that system and what controls are present for each system. Management represented that these controls apply to all transactions to both the section 272 affiliate and nonaffiliates.

- Ameritech Customer Information System (ACIS) is a service order billing system used by the five SBC Midwest states. ACIS interfaces with other information systems to gather relevant information about the SBC BOCs' residential and commercial customers to generate billing for local exchange service. ACIS is also used to process B&C services billing with information passed from LSB and IXC CARE services billing with information passed from the CARE system. ACIS automatically prepares journal entries of the billing and is the basis for revenue transactions reported in the Parent Company's consolidated financial statements.
- CRIS is the billing platform used by SBC Southwest and SBC West to bill end-users (retail, resale, and business customers, not wholesale or access) for local exchange service, IXC CARE services, IXC Pays services, and IXC subscription services.
- Local Exchange Carrier Services (LSB) Billing System is used in the SBC Midwest region to bill B&C services, IXC subscription services and IXC Pays services.
- The CABS provides software procedures to mechanically rate and process chargeable elements of the FCC and state tariffs. Bills reflect charges to customers for exchange access service. The CABS system is also used for the billing of most unbundled network elements (UNE). The CABS billing system processes bills for special access, switched access, collocation in all regions and UNE products in the SBC Southwest region.

The controls that are in place over these systems with regard to program changes are as follows:

- Notifications of changes that may affect other applications are sent to representatives of other applications.
- System testing is conducted on all changes prior to release to production.
- The duties of IT employees are limited to one function so that no employee can both create and implement an unauthorized system, program or database modification.
- Software changes are documented, tested and approved in accordance with the software change management policy including, if necessary, emergency changes, master file changes and database updates.

The controls that are in place over the systems with regard to logical access are as follows:

- The Resource Access Control Facility system (RACF) is an enterprise-wide system used to control systems access and is configured according to Operating Procedure 113 guidelines. Systems administrators and security administrators complete an annual mainframe security checklist to ensure

compliance with operating procedures and submit them to the Corporate Information Systems Technical Director.

- All user IDs follow a formal process as documented in the user ID process documentation. Automated nightly feeds from the user ID database are used to create or delete user IDs. System analysts create new RACF users based on unique user ID from the SUITS database.
- On a nightly basis, Human Resources send a list of terminated individuals electronically to the employee and contractor databases. The list is then uploaded into the systems users control database and the data is fed into the mainframe system on a nightly basis. An automated program is run each Monday, Wednesday and Friday to delete user IDs from the mainframe system.
- An automated maintenance program runs every Monday, Wednesday and Friday that deletes those user IDs that have not changed their password on any system for 120 days (deletes ID from all systems), or for user IDs that have not been active on specific systems for 180 days. The program also deletes the user ID from all resource access lists.

For the CABS billing system that is used to bill section 272 affiliates and nonaffiliates, Management represented that no specific practices are required to ensure billing systems bill the section 272 affiliate and nonaffiliates at the same rates and under the same terms and conditions. The SBC BOCs billing systems do not differentiate between the section 272 affiliate and nonaffiliates; the same billing system procedures are applied to the section 272 affiliate and non affiliates in a like manner.

Summarized below are the controls that the BOC/ILEC(s) had in place for recording billed amounts as revenue, and the controls in place for recognizing and recording when the billed amount is actually paid. For each control identified, Management represented that these controls existed and applied equally to both the section 272 affiliates and nonaffiliates.

- ACIS:
 - Accounts Receivable – account balance reconciliations are performed monthly.
 - A reconciliation report reconciles customer and revenue databases.
 - Revenue reconciliations are performed between billing system and the financial system subledgers.
 - Bill validation group reviews bills and performs trending analysis.
 - Accruals of earned but unbilled and billed but unearned ACIS revenue are calculated using consistent methodology, approved by appropriate personnel, and analyzed using fluctuation analysis.
 - Revenue is automatically booked based on journal codes assigned by the system.

- CRIS:
 - Account balance reconciliations are performed monthly. Reconciliation of amounts billed to amounts journalized is performed.
 - The Billing Validation group performs trending and bill audits.
 - Accruals of earned but unbilled and billed but unearned CRIS revenue are calculated using consistent methodology, approved by appropriate personnel, and analyzed using fluctuation analysis.
 - CABS:
 - A reconciliation of amounts billed to amounts journalized is performed.
 - CABS accounts receivable is reconciled monthly to the corresponding general ledger account.
 - The reconciliation is reviewed and approved by an individual independent of the preparer.
 - Accruals of earned but unbilled and billed but unearned CABS revenue are calculated using consistent methodology, approved by appropriate personnel, and analyzed using fluctuation analysis.
 - CABS systematically compares the amount billed to the amount journalized in SBC West and SBC Southwest and alerts users of any differences. Any imbalances are investigated by the Journals group for both regions.
 - The system generated reports are used to trend and report billing data from identified control data points in CABS. Any revenue amounts that are outside predefined ranges receive warnings and are investigated.
- b. For each month selected in step a. above, obtained the billing records/invoices for the eight services that were identified in step a. above that were billed to section 272 affiliates. Billing records were for all SBC BOCs and all states. Judgmentally selected invoices and line items from those invoices and reviewed the judgmental sample to ensure that all eight services were represented, that each service has at least 10 items (if 10 or more transactions were included in the population), and that all states were represented over the entire sample. Selected 71 transactions on 59 invoices for testing. For each selected transaction tested for the proper application of the billing rate table tariff or agreement rate in effect at the time of the transaction by agreeing the amount billed to the rate table obtained in step a.1. above. Of the 71 transactions tested, noted one instance where the rate per invoice did not agree to the rate table. Management represented that the rate per the invoice could not be tied to the rate table because rate element B2H1, Outside Collection Agency Expense, is an allocation of the total amount of outside collection agency expense incurred by SBC Southwest for the month between all carriers who received salvage cash from the outside collection agencies. The percentage of salvage cash received, divided among all carriers, including SBC Southwest, determines the amount of outside collection agency expense allocated to the individual carrier.

To document the payment and recording of the selected transactions by SBCLD, obtained copies of relevant documents and records, e.g., screens, summaries, etc., for the work papers.

- For 57 of the 59 invoices tested, obtained an extract for the Payment.net system to document that the transaction (and the same amount) was properly recorded on the section 272 affiliate's books, and that the same amount was paid by the section 272 affiliate. Noted that of the 57 payments reviewed, 35 were debited to an SBCLD accounts payable account and 22 were debited to a SBCLD expense account.
- For one of the 59 invoices tested, no Payment.net support was obtained because the invoice had a negative total amount due, so no amount was paid. The extract showed the account that was debited when cash was credited when the amount was paid.
- For one of the 59 invoices, no support was provided.

Management represented that documentation of payment receipt and revenue recording by the SBC BOC was on the following month's invoice from the SBC BOC to SBCLD. The appearance of the payment on the subsequent bill documented the receipt of SBCLD's payment by the SBC BOC. Obtained subsequent month's invoices from the SBC BOCs to SBCLD for 47 of the 59 invoices tested. Noted that payments appearing on the 47 subsequent invoices agreed to either the current charges or total charges that appeared on the corresponding invoice tested. For 12 of the 59 invoices, no subsequent invoices were provided by the SBC BOCs. Management represented that SBC BOC revenues are recorded at a summary level and amounts billed for the tested transactions are rolled up to the summary level through automated processes.

- c. Management represented that the same systems are used by the SBC BOCs to bill unaffiliated entities and the section 272 affiliate.
- d. Since the same systems are used to bill both the section 272 affiliate and unaffiliated entities, this procedure was not performed.
- e. For local exchange services purchased from the SBC BOCs by both an unaffiliated entity and SBCLD, obtained detailed billing data reports for SBCLD employee locations in Pleasanton, California, Rosemont, Illinois, and Brookfield, Wisconsin for May 2005. Identified the nine Universal Service Order Codes (USOCs) billed to SBCLD with the highest dollar volumes, plus one additional USOC selected at random. For the three wire centers which serve the SBCLD work locations, obtained detailed billing data reports for unaffiliated customers with the same class of service in wire centers for May 2005. Noted that CRIS and ACIS are the two systems used to bill local exchange services. Noted the

following procedures used by the SBC BOCs to update the ACIS and CRIS rate tables:

- CRIS
 - The Rate Implementation Group (RIG) has a checklist that enables them to gather all the appropriate information and authorizations to prepare and submit the Rapid Development Process (RD) to the Reference Table (RT) group.
 - The RT group only accepts rating templates from RIG.
 - The RT group compiles and maintains the list of individuals submitting rating templates. This list is confirmed annually for accuracy and completeness.
 - CRIS has bimonthly program updates.
 - Enterprise Project Application Support group (EPAS) coordinates with RT group regarding any conflicts, changes or additions to the initial rate activity scheduled each month.
 - Pricing Manager initiates rate change request and completes a rate change questionnaire.
 - The RIG evaluates questionnaire and the retail tariff associated with rate if applicable to determine if it is suitable for the RD process.
 - The RIG reviews the report to verify the correct USOC codes were provided by Pricing Manager. If any discrepancies are noted, the RD Analyst must contact the Pricing Manager.
 - The RIG ensures proper approval (from Pricing Manager and retail product managers) and the RT group only accepts rate change requests from authorized individuals.
 - The RT group reviews RD for completeness and accuracy and assigns a change request number.
 - Only certain user IDs are given access to rate tables.
 - Only certain RACF roles have access to rate tables for updating privileges.
 - On the implementation date, the RIG reviews the rates to ensure the correct rates have been implemented to the system.
 - If the rates are inaccurate the RD Analyst is contacted.
 - The RT group validates a follow up report which reflects rate updates to the databases.
- ACIS
 - RT group only accepts rating templates from the RIG and other organizations with specific authorization.
 - Access to change the rates in the tables is restricted to the RT group by RACF.
 - SBC Midwest business units provide the names of individuals approved to submit rating templates.
 - RT group compiles list and annually confirms accuracy and completeness.
 - All individual case basis contracts are validated against a copy of the bill after the contract has been implemented.

- Any discrepancies or questions are asked of the managers requesting the rate change.
- The individual case basis group can only submit rating change requests that deal with billing rate changes associated with specific customers that have sales contracts with SBC Midwest.
- The RIG gathers all the appropriate information and authorizations to prepare and submit the RD to the RT group.
- Member of the RIG reviews the rate change request using a Rate Change Questionnaire.
- Once questionnaire is completed, RIG evaluates if the request is suitable for the RD process.
- The RIG reviews the report to verify the correct USOC codes were provided by Pricing Manager; if any discrepancies, the RD Analyst must contact the Pricing Manager.
- The RIG ensures proper approval (from Pricing Manager and retail product managers) and the RT group only accepts rate change requests from authorized individuals.
- The RT group reviews RD for completeness and accuracy and assigns a change request number.
- On the implementation date, the RIG reviews the rates to ensure the correct rates have been implemented into the system.

Compared the USOC rates for the selected services charged to SBCLD to the rates charged to unaffiliated customers. Noted one difference where SBCLD was charged less than nonaffiliated carriers.

Table 3: Differences in Local Exchange Rates Billed SBCLD and Other IXC's by the SBC BOCs							
	USOC	Class Of Service (Equip)	USOC Description	SBCLD Quantity Billed	SBCLD USOC Rate	Unaffiliated USOC Rate	Difference
1	BVM1D	25J5X	Voice Mailbox Alternate ID	3	\$0.00	\$2.95	\$(2.95)

Management represented that SBCLD and unaffiliated customers were billed the same rates for the same USOCs; however there were isolated instances in the billing data where the rates on certain individual transactions billed to non-SBCLD customers differed from the same rate that was charged to SBCLD and to other customers. Management noted that in most cases, instances of USOCs on other transactions billed to these customers were billed at the same rates billed to SBCLD and other customers. Management considers the isolated differences noted on certain customer accounts to be anomalies in the billing data extracted and/or errors on the individual customer accounts

Management represented that the three wire centers tested provide the majority of local exchange services purchased by SBCLD from the SBC BOCs. Requested supporting documentation from the SBC BOCs that invoices tested above were

recorded as revenue by the SBC BOCs and that payment of these invoices was received by the SBC BOCs. As of the date of this report, this documentation has not been provided by Management.

5. Documented the SBC BOCs' process for disseminating information pursuant to CC Docket No. 96-149, First Report and Order, Para. 16, about network changes, the establishment or adoption of new network standards and the availability of new network services to SBCLD and to unaffiliated entities. The Network Regulatory team within the affiliate, SBC Operations, Inc., performs the procedures within SBC BOCs' network disclosure process. The Network Regulatory team also maintains an external web page, located at www.sbc.com/Public_Affairs/, used to notify unaffiliated entities and SBC BOC affiliates including SBCLD of new network disclosures. These disclosures include information regarding network changes, the establishment or adoption of new network standards, and the availability of new network services. Accessible Letters are posted to this webpage. The SBC BOCs' procedures address dissemination of information to both the SBC BOC affiliates including SBCLD and unaffiliated entities via the Internet site, www.sbc.com. The SBC BOCs use Internet postings and accessible letters to notify all entities, including both unaffiliated entities and the section 272 affiliate. Noted that the documentation supporting the SBC BOCs' process for notification of network changes contains no distinction between notification processes for section 272 affiliates and unaffiliated entities.
6. Obtained and inspected scripts that SBC BOCs' customer service representatives recite to new customers calling to establish new local telephone service or move an existing local telephone service to another location within the BOC in-region territory from the call centers observed in Procedure 7 below. Noted that Business call centers in the SBC West and call centers in the SBC Midwest region use job aids instead of call scripts. Obtained the job aids used in these regions. Per review of the scripts and job aids, noted that they contained language that attempts to sell interLATA services; language that informs the consumers that there are other providers of interLATA services; and language offering to identify the other providers, along with the interLATA service affiliate, to the consumer if they are interested.

Obtained and inspected the written content of the SBC BOCs Internet site for online ordering of new service or to move an existing local telephone service, www.sbc.com, noting that the consumers are informed on the Internet that there are other providers of interLATA service.

7. Obtained a complete listing as of the end of the Audit Test Period, of all SBC BOC sales and support customer service call centers. From the listing, with the SBC BOCs' assistance, compiled a list of SBC BOC call centers responding to inbound callers requesting to establish new local telephone service within the BOC in-region territory. From this listing, identified and grouped each call center by type of customers: "Consumer"; "Business"; or "Global."

- a. Using a random number generator, selected the following call centers from the list obtained above: six Consumer call centers located in 1) Reno, Nevada; 2) Pasadena, California; 3) San Jose, California; 4) Arlington Heights, Illinois; 5) Oakbrook, Illinois; and 6) Columbus, Ohio; and four Business call centers located in 1) Torrence, California, 2) Brecksville, Ohio, 3) Waukesha, Wisconsin and 4) Saginaw, Michigan listened in on a total of 100 calls from callers requesting to establish new local telephone service or to move an existing local telephone service. Noted the following:
- For 84 calls, the sales representative informed the customer of other providers of intraLATA and/or interLATA services and informed the customer of their right to make the selection.
 - For the following 16 calls, the SBC BOC representative marketed SBCLD long distance service but did not inform the customer of their right to choose long distance providers.
 - One call in the Reno, Nevada call center
 - One call in the San Jose, California call center
 - Three calls in the Arlington Heights, Illinois call center
 - One call in the Oakbrook, Illinois, call center
 - Two calls in the Columbus, Ohio call center
 - One call in the Torrence, California call center
 - Three calls in the Brecksville, Ohio call center
 - Three calls in the Waukesha, Wisconsin call center
 - One call in the Saginaw, Michigan call center
- b. For the Global Sales Channel, obtained Global Sales Channel's Sales Disclosure Guidelines and noted that the equal access notification informing customers that they have a choice to select the InterLATA services provider is included in the guidelines. Also noted that the guidelines state that the equal access disclosure is to be given to inbound customers requesting to establish new local telephone service or to move an existing local telephone service to another location within the SBC BOC in region territory. Noted that the Sales Disclosure Guidelines state that the customer service representatives are subject to periodic performance monitoring of their incoming calls by a manager for adherence to the Sales Disclosure Guidelines.
- c. From the listing obtained above, determined which call centers might incidentally respond to inbound callers requesting to establish new local telephone service or to move an existing local telephone service (such as sales and service centers that usually receive customer inquiries from existing customers). From this list of call centers, randomly selected three Consumer centers, 1) San Diego, California; 2) San Diego, California Consumer Emerging Products Center; 3) Olivette, Missouri for SBC West, and two Business call centers, 1) Chicago Heights, Illinois and 2) Pontiac, Michigan. Also selected one additional Consumer center

(Olivette, Missouri for SBC Midwest) because it was discovered after sample selections were made that it was an incidental center (it was previously included in the population of call center tested in Procedure 7.a. above). Listened in on a total of 120 calls (20 per center). Noted the following:

- One call from the Olivette, Missouri – SBC Midwest call center (call #19) – the customer requested winback service. Since this call was not considered new service, no equal access statement was made by the SBC BOC representative.
- One call from the Olivette, Missouri – SBC West call center (call #16) – the customer requested move service. Noted that SBCLD long distance was not marketed to this customer and no equal access statement was given.
- One call from the Olivette, Missouri – SBC Midwest call center (call #15) – the customer requested to switch to SBC BOC service from a competitive local exchange carrier (CLEC). Noted that SBCLD long distance was marketed to this customer and no equal access statement was given.
- One call from the Olivette, Missouri – SBC Midwest call center (call #20) – the customer requested to switch to SBC BOC service from a CLEC. Noted that SBCLD long distance was marketed to this customer but the customer declined all long distance service.
- The remaining 116 calls monitored related to service requests other than new or transfer service.

8. Requested a listing of all call centers in which representatives of third-party contractors of the SBC BOCs respond or might incidentally respond to customers requesting to establish new local telephone service or to move existing service. Randomly selected three Consumer call centers: 1) Charleston, West Virginia; 2) Charleston, Illinois; and 3) Houston, Texas; and one Business call center operated by third-party contractors and observed 25 inbound calls at each Consumer location. For the Business call center observed (located in Corpus Christi, Texas), after one full day of observation, listened in on only 12 inbound calls. The Joint Federal/State Oversight Team agreed that 12 calls would be sufficient for this procedure since this center typically experiences extremely low inbound call volumes. In the 87 calls observed, noted the following:

- For the Charleston, Illinois and the Houston, Texas Consumer centers (25 calls at each center, 50 calls total), observed no instances where the customer requested new or transfer service.
- For the Corpus Christi, Texas Business center (12 calls), observed no instances where the customer requested new or transfer service.
- For the Charleston, West Virginia Consumer center (25 calls), observed five calls that requested new or move service. In the five calls, the representative marketed SBCLD long distance service and gave the equal access statement to the customer.

9. Management has represented that there are limited situations where third-party contractors handle inbound telemarketing in association with establishing new telephone service or moving existing local telephone service. However, there are no specific contracts between the SBC BOCs and third parties for this service, but rather all affiliates, including the SBC BOCs, issue work orders to third parties for such services under a master agreement covering all affiliates.

Management represented that, generally, external vendors are used for outbound telemarketing in which existing customers are contacted to market and take orders for a specific service campaign. However, external vendors are occasionally used on an "overflow" basis to accept inbound calls, and, with respect to Consumer channel in the SBC Midwest region, external vendors are used to do both large team overflow work and to answer inbound marketing stimulation such as direct mail.

Management represented that the following controls are in place for third-party vendors that may receive inbound calls:

- With limited exceptions, as described in the bullet below, external vendors generally do not have access to the SBC BOCs' systems needed to accept an order for a new connect or to transfer service to a new location, and if an external vendor happens to receive a call from a customer wanting new service or to move service, the external vendor is directed to transfer the call to an internal SBC BOC channel.
 - External vendors may be given access to the SBC BOCs' systems required to handle whatever work they have contracted to perform including new and transfer orders. For example, certain vendors are used by the Consumer channel in the SBC Midwest region to take inbound Lifeline new orders. In the limited situations in which external vendors are used to handle inbound new and transfer calls (e.g., Lifeline new orders by SBC Midwest), in addition to specifying the equal access disclosure requirements in the work order, the equal access disclosure is typically included in the SBC BOC supplied scripts and the service representatives are trained and monitored to ensure compliance.
- Inbound new and transfer service calls made to 800 numbers used for external vendor telemarketing campaigns that have subsequently ended would normally hear a recorded message directing them to an internal SBC BOC channel (SBC BOC business office/call center).

10. Management has represented that there are limited situations where third-party contractors handle inbound telemarketing in association with establishing new telephone service or moving existing local telephone service. However, there are no specific contracts between the SBC BOCs and third parties for this service, but rather all affiliates, including the SBC BOCs, issue work orders to third parties for such services under a master agreement covering all affiliates.